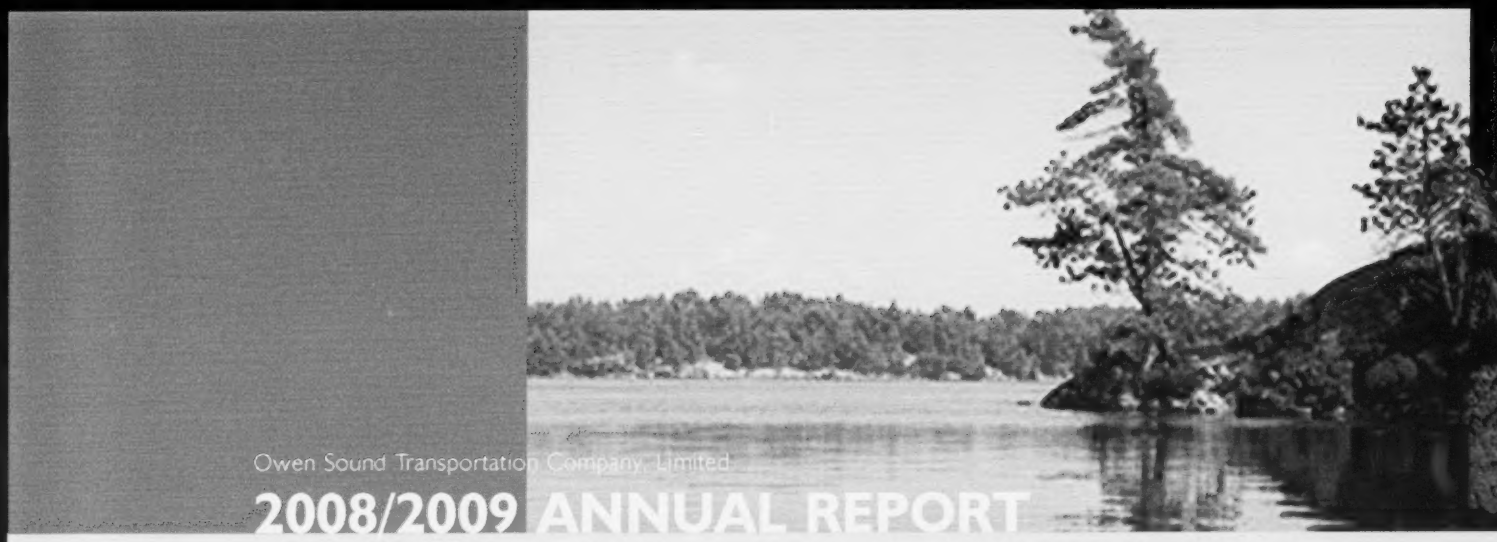
OWEN SOUND TRANSPORTATION COMPANY, LIMITED

2008 2009

ANNUAL REPORT



Owen Sound Transportation Company, Limited

2008/2009 ANNUAL REPORT

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Owen Sound Transportation Company, Limited is an Agency of the Province of Ontario. Services are financially supported by the Provincial Government through a Contribution Agreement with the Ministry of Northern Development, Mines and Forestry.

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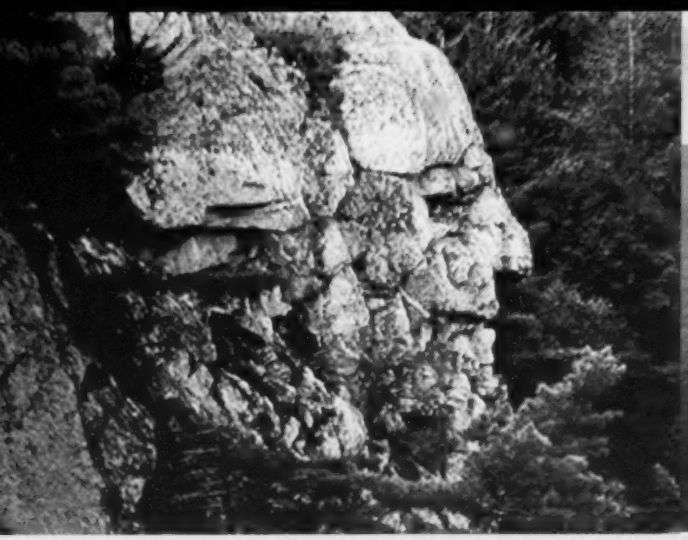


Mandate

Owen Sound Transportation Company, Limited contributes to the provision of safe, efficient and reliable ferry transportation in the Province of Ontario, primarily through the operation of seasonal vehicle/passenger ferry service between Tobermory and South Baymouth, Manitoulin Island. It contributes to economic development in this region by supporting the creation of a positive business climate and by enhancing and promoting the tourism sector through partnerships with local communities and regional stakeholders.

Description

Owen Sound Transportation Company, Limited (OSTC) was established under the Ontario Business Corporations Act of the Province of Ontario on March 10, 1921 and operated in the private sector in receipt of both Federal and Provincial subsidies. From 1973 until March 31, 2002, OSTC was operated by Ontario Northland Transportation Commission (ONTC) under the Ontario Northland Act.

On April 1, 2002, OSTC was separated from ONTC and established as an Operational Enterprise Agency of the Province of Ontario with its head office in Owen Sound, Ontario.

OSTC is an integral part of Ontario's tourism and transportation system. The M.S. Chi-Cheemaun ferry service, owned by OSTC, provides alternate transportation to Manitoulin Island and the Bruce Peninsula, drawing tourists to the area from May through October each year.

OSTC is also contracted by the Ontario Ministry of Transportation to provide year-round transportation services to Pelee Island on Lake Erie.

During 2008/09, OSTC was responsible for the operation of three ships and five terminal facilities on three ferry routes.

OSTC's workforce consists of unionized and management employees. Unionized employees are members of the Seafarers' International Union of Canada and the Canadian Marine Officers' Union. OSTC is responsible for the administration of three collective agreements. The workforce consists of 17 full-time employees augmented by 113 seasonal employees*.

* Pelee Island Transportation Service employees excluded.

Owen Sound Transportation Company, Limited

SERVICE AREA

Corporate Governance

The Ontario Minister of Northern Development, Mines and Forestry pursuant to a sole shareholder declaration in accordance with section 108 of the Business Corporations Act, R.S.O. 1990, c. B.16, exercises control over OSTC's Board of Directors, who are responsible for the administration of the business of OSTC.

The Board of Directors has a fiduciary duty to carry out the duties of their office honestly and in good faith in the best interests of the Corporation and in accordance with the management principles and guidelines of the Government of Ontario. These principles include ethical behaviour, accountability and excellence in management, wise use of public funds, high-quality service to the public, and fairness in the marketplace.

The Board of Directors sets the standards of conduct for the Corporation and ensures the safety of its operations, supervising the conduct of the business through the General Manager, to whom it delegates the responsibility for the leadership and management of the Corporation.

Message from the Chair

The economic decline during the past year resulted in a 5% decline in total traffic volumes. While savings are difficult to achieve during such downturns it is significant to point out that in one high volume area some savings were realized. Judicial use of the M.S. Chi-Cheemaun's new engines (using 2 of the 4 available) resulted in an impressive 10% reduction in fuel consumption. Financial benefits did not parallel this saving however, due to an annual fuel cost increase of 35%.

While some of the 1,016 arrivals and departures were slightly off schedule, customers supported the OSTC's successful fuel savings measures, obtained by operating at slightly lower speeds, with a Customer Satisfaction rating in excess of 99%.

Congratulations are extended to the OSTC staff. May your dedicated contributions to this economically important service be as successful in the years ahead.

Barney Hopkins
Chairman of the OSTC Board of Directors

COMPANY BOARD & EXECUTIVE

Board of Directors

Barney Hopkins – Chair – Tobermory	(01 April 2002 – 31 March 2010)
Sharon Alkenbrack – Kagawong	(06 June 2005 – 05 June 2011)
Martin Garfield Brown – South Baymouth	(01 July 2005 – 30 June 2011)
Jennifer Sayyae – Little Current	(27 July 2005 – 26 July 2011)
John Greenway – South Baymouth	(01 April 2007 – 31 March 2010)
Hugh Moggy – Manitouwaning	(01 June 2007 – 31 May 2010)

Executive Management

S.M. Schrempf – General Manager & Secretary to Board of Directors
I.R. Dean – Manager Operations & Customer Service
J. Noble – Supervisor Accounting

Owen Sound Transportation Company, Limited

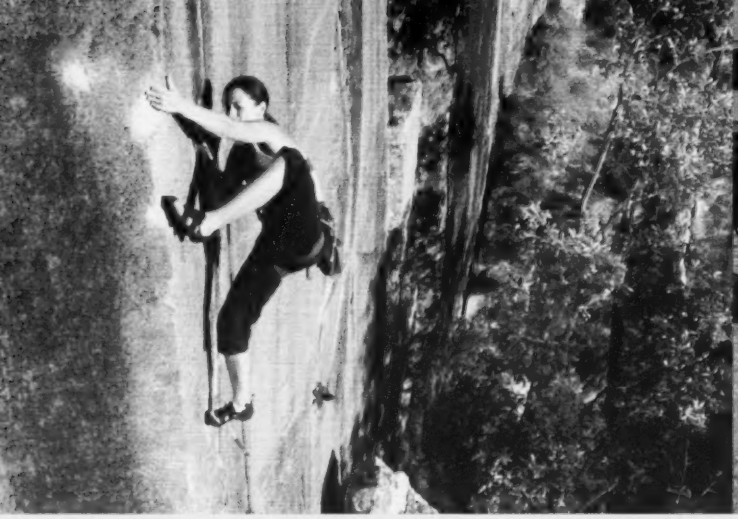
OPERATIONAL OVERVIEW

Key Performance Indicators

Key Indicators	2008/09	2007/08	2006/07
Income per passenger (ticket and on-board sales)	$ **35.26**	$ 32.06	$ 31.24
Expense per passenger (operating only)	$ **41.22**	$ 36.87	$ 37.69
Percentage of operating expenses recovered from income	**85.55%**	86.97%	82.89%
Retail service revenue per passenger	$ **5.29**	$ 4.55	$ 4.57
Advertising expense per passenger	$ **0.86**	$ 0.70	$ 0.70
Fuel expense per one-way crossing (average from total fuel cost)	$ **1,711.16**	$ 1,402.44	$ 1,340.05
Passengers carried	**205,289**	221,710	213,852
Utilization - passengers	**31.67%**	35.39%	34.63%
Vehicles carried	**80,516**	84,774	81,628
Utilization - vehicles	**63.45%**	68.84%	67.12%
Annual total number of departures	**1,016**	982	968
Average number of vehicles per departure	**79**	86	84
Average number of passengers per vehicle	**2.55**	2.62	2.62

Financial Highlights	2008/09	2007/08	2006/07
Operations:			
Commercial revenues	$ **7,190,360**	$ 7,108,793	$ 6,681,611
Operating contract revenues	$ **454,000**	$ 380,000	$ 380,000
Total revenue	$ **7,644,360**	$ 7,488,793	$ 7,061,611
Operating expenses	$ **8,462,210**	$ 8,173,962	$ 8,061,032
Amortization	$ **618,447**	$ 405,276	$ -
Total expense	$ **9,080,657**	$ 8,579,238	$ 8,061,032
Loss before Provincial funding	$ **(1,436,297)**	$ (1,090,445)	$ (999,421)
Provincial funding	$ **800,000**	$ 830,000	$ 1,012,729
Net (loss) earnings	$ **(636,297)**	$ (260,445)	$ 13,308
Assets:			
Current	$ **1,792,021**	$ 2,183,097	$ 1,473,120
Investment in capital assets	$ **12,547,480**	$ 12,478,476	$ 12,196,383
Total assets	$ **14,339,501**	$ 14,661,573	$ 13,669,503

* Capital additions are directly financed and therefore are not included or amortized in Operating Expenses. For presentation purposes, amortization was removed from the Statement of Provincial Equity and is shown as part of Operations effective 2007/08.



Accomplishments

Major Capital: OSTC completed the outdoor elevator installations at the Tobermory and South Baymouth boarding ramps.

Machinery: OSTC completed the 2008/09 operating season with no service interruptions as a result of mechanical failures.

Safety & Environment: OSTC has maintained voluntary International Safety Management Code compliance since receiving certification by Lloyd's Classification Society in 1997. The Safety Management System provides policies and procedures for all aspects of the operation with the purpose of reducing safety and environmental incidents arising from human error. Through regular internal and external audits, the system is in a state of constant improvement, and is used to evaluate and reduce the risk inherent in the operation of a marine transportation service.

No Safety or Environmental non-compliance incidents occurred during 2008/09.

Customer Satisfaction: 99.1% Customer Satisfaction Level (as measured through the annual customer survey).

Contracts: OSTC has been the contracted operator of the Pelee Island Ferry Service, owned by the Ontario Ministry of Transportation, since 1992. OSTC signed a new contract to continue to provide the service for the period April 1, 2008 through March 31, 2013.

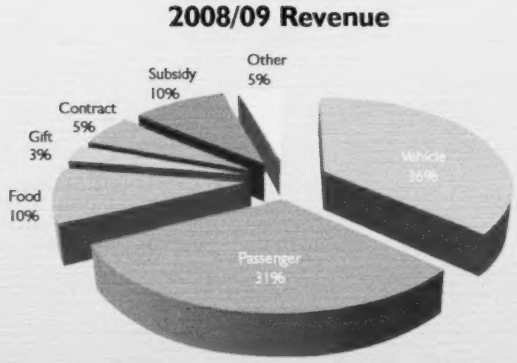
Challenges

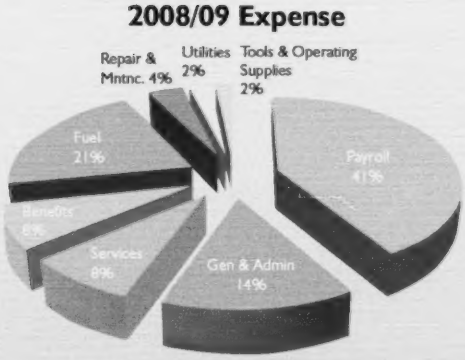
Fuel Costs: By restricting engine use in the summer operating season to only 2 of the 4 available engines, M.S. Chi-Cheemaun's total fuel consumption was reduced by 10%. Despite reducing total fuel consumption, the fuel cost per trip increased by 22% as the fuel cost per litre increased by an annual average of 35%.

Traffic: OSTC carried 205,289 passengers and 80,516 vehicles over 1,016 departures. This represents a 5% decrease in total traffic volumes as compared to traffic carried in 2007/08 and is reflective of the depressed economy and significant increase in North American fuel prices.

M.S. Chi-Cheemaun is only one of two transportation options for the travelling public. Passengers may elect to drive to Northern Ontario via Highway 69 through Sudbury, and/or continue on to Manitoulin Island by means of the swing bridge at Little Current. In 2008/09 M.S. Chi-Cheemaun traffic was not lost to the highway; high fuel prices kept a large percentage of the North American population from taking the vehicle out of their driveway for any non-essential purpose.

Personnel: Availability of certified and qualified Navigation and Engineering Officers continues to be a worldwide problem, with more positions available than certified personnel to fill them. OSTC has no personnel, occupying unlicensed positions, willing to become certified to be promoted to an Officer position as they become available. To date, OSTC has been able to fill vacancies from outside the company.





Owen Sound Transportation Company, Limited

FINANCIAL OVERVIEW

OSTC experienced a net operating loss of $817,850 before a Provincial subsidy of $800,000. Traffic volumes were 5% lower than budget, the equivalent of $361,018 in revenue. Extreme fuel costs forced the implementation of a late season fare increase of 10% which contributed to negating the projected revenue loss. Revenues from operations ended the year $118,722 better than budget.

Total expenses exceeded budget by $199,008, and can be attributed to much higher than anticipated fuel costs. OSTC limited engine use to 2 of the 4 engines at a time, except for emergency conditions, causing some sailings to arrive and depart between 15 and 20 minutes off schedule. Customers were well-informed and supportive of operating the vessel at slower speeds to save fuel. This permitted the service to delay increasing fares until late summer.

Employee benefit expenses are lower than budget and reflect the continued management personnel pension plan contribution holiday, expected to come to an end no later than December 2009.

Capital asset investment of $679,615 represents the final year of the two-year elevator construction project, continuation of the HVAC unit replacement project on the M.S. Chi-Cheemaun, and upgrading the on-board fire detection system including the alarm panel.

Future planned improvements to the vessel include replacement of the 39-year-old fire suppression system on the vehicle deck, while enhancing fire suppression in all machinery compartments and crews' quarters below the vehicle deck. The emergency passenger evacuation system is also being evaluated for modernization that will improve the efficiency and effectiveness of full-vessel evacuation in the event of emergency.

Owen Sound Transportation Company, Limited

FINANCIAL STATEMENTS

For the year ended March 31, 2009

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Management's Responsibility

Owen Sound Transportation Company, Limited's management is responsible for the integrity and fair presentation of the financial statements and other information included in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involved the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with financial statements.

The Company maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the company's Audit Committee (Governing Board of Directors Committee of the Whole) and have been approved. In addition, the financial statements have been audited by the Ontario Provincial Auditor, whose report follows.

Susan Schrempf
General Manager

Owen Sound, Ontario
August 15, 2009

Financial Statements – Auditor's Report

To The Owen Sound Transportation Company, Limited
And to the Minister of Northern Development, Mines and Forestry

I have audited the balance sheet of The Owen Sound Transportation Company, Limited as at March 31, 2009 and the statements of investment by the Province of Ontario, retained earnings, operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance where the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates used by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
July 20, 2009

Balance Sheet

March 31	2009	2008
Assets		
Current		
Cash and cash equivalents	**$ 309,905**	$ 176,800
Accounts receivable (Note 1)	**1,290,196**	1,783,451
Inventory	**191,920**	222,846
	1,792,021	2,183,097
Investment in capital assets (Note 2)	**12,547,480**	12,478,476
	$ 14,339,501	$ 14,661,573
Liabilities and Province of Ontario Equity		
Current		
Accounts payable and accrued liabilities	**$ 486,755**	$ 845,502
Workers' compensation obligations	**141,883**	148,526
	628,638	994,028
Contingencies (Note 6)		
Province of Ontario equity	**13,710,863**	13,667,545
	$ 14,339,501	$ 14,661,573

Approved on behalf of the Company:

Barney Hopkins Chair

Susan Schrempf General Manager

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OWEN SOUND TRANSPORTATION COMPANY, LIMITED

Statement of Operations

For the year ended March 31	2009	2008
Revenues		
Vehicles	**$ 3,072,847**	$ 3,016,404
Passenger revenue	**2,653,890**	2,657,322
Ministry of Northern Development and Mines subsidy (Note 5 (b))	**800,000**	830,000
Cafeteria	**828,970**	757,864
Interest and other	**378,565**	425,351
Pelee Island ferry service management fee (Note 5 (a))	**424,000**	350,000
M.V. Manitou Island II ferry service management fee (Note 5 (c))	**30,000**	30,000
Tuck and terminal gift shops	**256,088**	251,852
	8,444,360	8,318,793
Expenses		
Salaries and wages	**3,510,310**	3,446,555
Fuel	**1,753,163**	1,281,480
General and administrative expenses	**1,197,854**	1,251,863
Services	**701,167**	687,158
Employee benefits	**672,389**	626,254
Amortization	**618,447**	405,276
Repairs and maintenance	**303,973**	466,821
Utilities	**190,211**	232,598
Tools and operating supplies	**139,786**	177,258
Change in workers' compensation obligations	**(6,643)**	3,975
	9,080,657	8,579,238
Loss from operations	**$ (636,297)**	$ (260,445)

THE OWEN SOUND TRANSPORTATION COMPANY, LIMITED

Statement of Province of Ontario Equity

For the year ended March 31	2009	2008
Province of Ontario Equity, opening	**$ 13,667,545**	$ 13,259,898
Loss from operations	**(636,297)**	(260,445)
Capital funding (Note 5(b))	**679,615**	668,092
Province of Ontario Equity, closing	**$ 13,710,863**	$ 13,667,545

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31	2009	2008
Cash provided by (used in)		
Operating Activities		
Loss from operations	**$ (636,297)**	$ (260,445)
Items not affecting cash		
Amortization (net of contributed surplus amortization)	**618,447**	405,276
Change in workers' compensation obligations	**(6,643)**	3,975
	(24,493)	148,806
Changes in non-cash working capital balances		
Accounts receivable	**493,255**	(455,784)
Inventory	**30,926**	(115,843)
Prepaid expenses	**-**	35,479
Accounts payable and accrued liabilities	**(358,747)**	580,448
	140,941	193,106
Investing Activities		
Purchase of capital assets	**(687,451)**	(687,369)
Capital funding - Ministry of Northern Development and Mines (Note 5 (b))	**679,615**	668,092
	(7,836)	(19,277)
Change in cash and cash equivalents during the year	**133,105**	173,829
Cash and equivalents (bank indebtedness), beginning of year	**176,800**	2,971
Cash and equivalents, end of year	**$ 309,905**	$ 176,800

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OWEN SOUND TRANSPORTATION COMPANY, LIMITED

Summary of Significant Accounting Policies

March 31, 2009

Nature of Business

Owen Sound Transportation Company, Limited (OSTC), a business enterprise of the Province of Ontario, owns and operates a seasonal vehicle and passenger ferry, the M.S. Chi-Cheemaun, from Tobermory to Manitoulin Island. It also provides vessel management services for the Ministry of Transportation for two vessels, the M.V. Pelee Islander and the M.V. Jiimaan, operating on the Pelee Island service, and a daily air service between the Ontario mainland and Pelee Island during the winter months, when the ferry service is not in operation. It also provides vessel management services for Ontario Northland Transportation Commission to manage and operate the M.V. Manitou Island II ferry service between Moosonee and Moose Factory Island.

OSTC's one issued and oustanding common share is held by the Ministry of Northern Development and Mines (MNDM).

Basis of Accounting

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Employee Future Benefits

OSTC's eligible employees continue to participate in the defined benefit pension plan of ONTC (OSTC's former parent). In addition, eligible employees are also entitled to non-pension, post-retirement benefits such as group life, health care and long-term disability as part of the ONTC group plan. Separate data relating to OSTC employees is not available. Accordingly, the benefit cost recorded on the financial statements, is limited to the amount of contributions made to these benefit plans by OSTC in the year. Due to the multi-employer nature of these plans, no amounts for future employee benefits is recorded in the financial statements, in accordance with the CICA Handbook for multi-employer plans.

Workers' Compensation Benefits

OSTC is a Schedule 2 employer with respect to workers' compensation benefits. As such, the OSTC recognizes its obligation for these future benefits on an accrual basis. The estimated future benefits are determined using actuarial calculations as provided by the Workplace Safety & Insurance Board on an annual basis (December 31 of each year).

Summary of Significant Accounting Policies

March 31, 2009

Revenue Recognition

Transportation revenues are generally recognized on the date tickets are sold. Other revenues are recognized in the period they are earned.

Inventory

All materials and supplies are recorded at the lower of average cost and net realizable value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Investment in Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

The estimated service lives for principal categories of assets are as follows:

Marine vessels	30 years
Buildings and improvements	20 years
Equipment and other	5 years

The Province of Ontario reimburses OSTC for the cost of approved capital assets purchased for use in operations designated as non-commercial by the Province. The OSTC therefore records these assets at their original cost, together with an offsetting credit to Province of Ontario Equity.

Capital assets of the Pelee Island service are not recorded in the financial statements of OSTC, but instead are accounted for by the Ministry of Transportation. Any costs incurred by OSTC with regards to capital expenditures of the Pelee Island service are recovered from the Ministry and have no impact on these financial statements.

Income Taxes

As an agency of the Province of Ontario, OSTC is exempt from income taxes and accordingly no tax provision is recorded in these financial statements.

Accounting Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments

Owen Sound Transportation Company, Limited's (OSTC) financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and workers' compensation obligations. Unless otherwise noted, it is management's opinion that OSTC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or the liability incurred. The organization's accounting policy for each category is as follows:

a) Held-for-trading

Cash and bank are classified as held-for-trading. Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs.

b) Loans and Receivables

This category is comprised of accounts receivable. These assets are non-derivative financial assets arising principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets. They are initially recognized at fair value.

c) Other Financial Liabilities

Other financial liabilities includes all financial liabilities and comprises accounts payables and accrued liabilities, and workers' compensation obligations. These liabilities are initially recognized at fair value.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

International Financial Reporting Standards

Publicly accountable enterprises will be required to follow International Financial Reporting Standards for fiscal years commencing on or after January 1, 2011. However, the Public Sector Accounting Board of the CICA is still in the process of deciding what accounting standards should be followed by the various categories of government organizations. The impact of these discussions on the organization's financial statements has yet to be determined.

Notes to Financial Statements

March 31, 2009

1. Accounts Receivable

	2009	2008
Ministry of Northern Development and Mines	**$ 106,557**	$ 488,778
Ministry of Transportation	**1,055,636**	1,206,018
Other	**128,003**	88,655
	$ 1,290,196	$ 1,783,451

2. Investment in Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
M.S. Chi-Cheemaun ferry	**$ 21,907,264**	**$ 10,686,673**	$ 21,729,607	$ 10,136,980
Equipment and other	**498,949**	**395,416**	446,369	360,562
Buildings and improvements	**1,382,800**	**254,734**	925,585	220,833
Land	**76,100**	**-**	76,100	-
Land improvements	**20,200**	**1,010**	20,200	1,010
	$ 23,885,313	**$ 11,337,833**	$ 23,197,861	$ 10,719,385
Net book value		**$ 12,547,480**		$ 12,478,476

3. Operating Loan - Credit Facility

OSTC has negotiated a demand operating line of credit with a Canadian Chartered Bank, bearing interest at the bank's prime rate less 0.5%. The maximum draws that could be advanced on this operating line are $1,845,000. At March 31, 2009, there were no draws outstanding under this credit facility.

4. Employee Benefits

The total amount paid to ONTC during the year for non-pension, post retirement benefits was $117,310 (2008 - $102,691). No employer contributions were paid to the ONTC Pension Plan during the year because of a contribution holiday.

Notes to Financial Statements

March 31, 2009

5. Government Funding

a) Ministry of Northern Development and Mines

Under the terms of a memorandum of understanding with the Ministry of Northern Development and Mines, OSTC receives both operational and capital funding from the Province of Ontario. The operational subsidies are received for the Owen Sound operation based on an approved operating plan and are cash flowed to OSTC on a quarterly basis. These amounts totalled $800,000 (2008 - $830,000). The capital subsidies are paid to OSTC on submission of invoices for capital items consistent with its approved capital plan. These amounts totalled $679,615 (2008 - $668,092).

b) Ministry of Transportation

OSTC has an agreement with the Ministry of Transportation to manage and operate the Pelee Island ferry service on Lake Erie between the ports of Kingsville, Leamington and Pelee Island in Ontario and the port of Sandusky in the State of Ohio. As per this agreement, OSTC received $424,000 in management fees for the 2008 sailing season.

A new 5-year agreement (which had not yet been signed at March 31, 2009), would have the Ministry pay OSTC a management fee of $400,000 annually, adjusted by changes in the Consumer Price Index. The new agreement would also provide for OSTC to receive a project management fee of up to 3% of the value of vessel capital improvements which OSTC oversees on behalf of the Ministry of Transportation.

The revenue and expenses related to operating this service are not reflected in these financial statements.

c) Ontario Northland Transportation Commission

OSTC signed an agreement with Ontario Northland Transportation Commission to manage and operate the M.V. Manitou Island II ferry service between Moosonee and Moose Factory Island for the period April 1, 2008 - March 31, 2009. OSTC received $30,000 in management fees for the 2008 sailing season.

The revenue and expenses related to operating the service are not reflected in these financial statements.

6. Contingencies

a) OSTC has been named in a number of litigations resulting from a fatal plane crash at Pelee Island on January 17, 2004.

Georgian Express Ltd. operated the air service and as part of the agreement with OSTC maintained liability coverage of $20 million, naming OSTC as an additional insured. In addition, Georgian Express Ltd. entered into an indemnity and save harmless agreement in favour of OSTC as part of the operating agreement.

The outcome of these claims are not determinable at the present time and, as a result, is not reflected in these financial statements. However, should the claim exceed the insurance coverage in place, OSTC will be indemnified by the Ministry of Transportation.

b) Employees hired after April 1, 2002 are not eligible to join the ONTC pension plan. OSTC has been negotiating to have these employees eligible to join retroactive to April 1, 2002. Any retroactive payments will be reflected in operations in the period in which they become determinable.

c) A claim has been filed against OSTC by an individual who fell on company premises in 2007. The claim is currently being assessed by OSTC's insurance company and the outcome is not determinable at the present time.

7. Economic Dependence

OSTC is dependent on the continuing subsidy from the Province of Ontario to carry on its operations.

8. Comparative Amounts

Comparative figures have been reclassified to conform to the current year's financial statement presentation.